

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 XMB-02 SSO-00 NSCE-00 USIE-00

INRE-00 SP-02 AID-05 NSC-05 CIEP-01 TRSE-00 SS-15

STR-04 OMB-01 CEA-01 CIAE-00 COME-00 FRB-03 INR-07

NSAE-00 OPIC-03 LAB-04 SIL-01 L-03 H-02 PA-01 PRS-01

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O 131740Z FEB 76

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC IMMEDIATE 2874

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E.O. 11652: N/A

TAGS: EFIN, CS

SUBJECT: LATIN AMERICAN BANK PROBLEM

PASS EXIMBANK

REF: SAN JOSE 749

1. EMBASSY CONTACTED CENTRAL BANK THIS MORNING TO LEARN STATUS OF PROBLEM BETWEEN CENTRAL BANK AND FOREIGN CREDITOR BANKS OVER BAILOUT OF INSOLVENT LATIN AMERICAN BANK.

2. CENTRAL BANK REPRESENTATIVE (RODRIGO CAAMANO) SAID THAT IT WILL BE IMPOSSIBLE TO MEET FEBRUARY 16 DEADLINE SET BY CREDITOR BANKS, BUT HE EXPRESSED CONFIDENCE THAT ENTIRE MATTER COULD BE SETTLED WITHIN ONE TO TWO MONTHS. HE DESCRIBED THE ARRANGEMENT WORKED OUT WITH THE CREDITOR BANKS AS THE MOST FAVORABLE ARRANGEMENT FOR ALL CONCERNED AND EXPRESSED HOPE THAT THE CREDITOR BANKS WOULD ACCORD A DELAY AND THAT ALL OF THEM WOULD AVOID TAKING ANY ACTION THAT WOULD BREAK THE LIMITED OFFICIAL USE

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GENERAL AGREEMENT. HE SAID THAT THE FEBRUARY 16 DATE IS ONLY

A DATE THAT WAS AGREED UPON AMONG THE CREDITOR BANKS AND SUBMITTED TO THE COURTS IN GRAND CAYMAN AND THAT THE CENTRAL BANK HAD NEVER BEEN CONSULTED ABOUT THAT DATE NOR ACCEPTED IT.

3. CAAMANO ASKED EMBOFF TO ASSURE AMBASSADOR TODMAN, " ON BEHALF OF THE AUTHORITIES OF THE CENTRAL BANK AND PRESIDENT ODUBER," THAT THE CENTRAL BANK IS MAKING A MAXIMUM EFFORT TO SOLVE THIS PROBLEM AND IS PROCEEDING WITH THE MOST ABSOLUTE GOOD FAITH. HE ASKED THAT THE EMBASSY URGE THE CREDITORS TO GRANT A POSTPONEMENT.

4. CAAMANO ALSO STATED THAT IF THE GENERAL AGREEMENT FAILS, THE U.S. EXIMBANK WILL STILL BE TAKEN CARE OF, BUT HE EMPHASIZED THAT THE CENTRAL BANK IS WORKING TOWARD A GENERAL SETTLEMENT THAT WOULD TAKE CARE OF ALL OF THE CREDITORS. (COMMENT: CAAMANO'S REFERENCE TO THE POSSIBILITY OF BILATERAL SETTLEMENTS IF THE GENERAL AGREEMENT FAILS INDICATES THAT THE FEARS OF SOME OF THE SMALLER CREDITOR BANKS ARE NOT WITHOUT FOUNDATION, BUT AT LEAST AT THIS TIME THE EMBASSY ACCEPTS AT FACE VALUE THE CENTRAL BANK'S ASSURANCES THAT IT IS WORKING TOWARD A GENERAL SETTLEMENT.)

5. EMBASSY ALSO LEARNED TODAY THAT BERNAL JIMENEZ IS IN NEW YORK. IF EXIMBANK WISHES TO CONTACT CENTRAL BANK ABOUT THIS MATTER, EMBASSY WOULD SUGGEST A TELEPHONE CALL TO RODRIGO CAAMANO.

6. EMBOFF ALSO TALKED AGAIN TO MOORE OF HARTFORD NATIONAL BANK. HE IS A LITTLE MORE OPTIMISTIC, HAVING HEARD THAT THE NATIONALIZED STATE BANKS HAVE NOW AGREED, AT LEAST INFORMALLY, TO TAKE OVER MORE ASSETS OF L.A.B. ALTHOUGH APPROVAL HAS NOT BEEN GIVEN BY THEIR BOARDS OF DIRECTORS, THE TENTATIVE TOTAL WOULD THEREFORE RISE TO \$7 1/2 MILLION. MOORE SAID THAT A DECISION AS TO WHETHER TO ALLOW AN ADDITIONAL POSTPONEMENT WILL BE TAKEN AT A CREDITORS' MEETING IN NEW YORK ON FEBRUARY 25. TODMAN

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